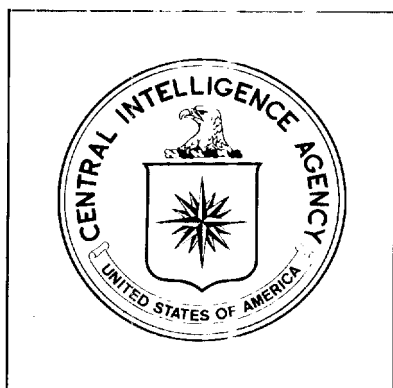


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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UK to Buy Foreign Missiles Despite Labor Pleas

The Wilson government has decided to purchase foreign missiles despite a strong push from the Labor Party and from trade unions to "buy British."

The ministry of defense announced yesterday that it will buy the Franco-German Milan anti-tank missile and the US Harpoon missile, which can be used against both submarines and aircraft. The announcement was delayed because of the intervention of Industry Secretary Varley, who argued that the contracts would have an adverse impact on employment and on Britain's balance-of-payments position. Varley's position was backed by the trade unions.

Varley apparently dropped his objections after receiving assurances that the foreign purchases would have only a minimum effect on employment. The purchases will result in the abandonment of two British-designed missile programs, but the loss will be balanced by the fact that the Milan will be built in the UK. In addition, the British Aircraft Corporation has been given authorization to produce a helicopter-launched anti-ship missile.

The decision to purchase foreign missiles instead of British models is a tactical victory for Defense Secretary Mason. He is a strong advocate of closer collaboration among the NATO allies in weapons development, production, and procurement.

Mason's commitment to improving European defense through closer allied cooperation is sufficiently strong to enable him to resist pressures from the

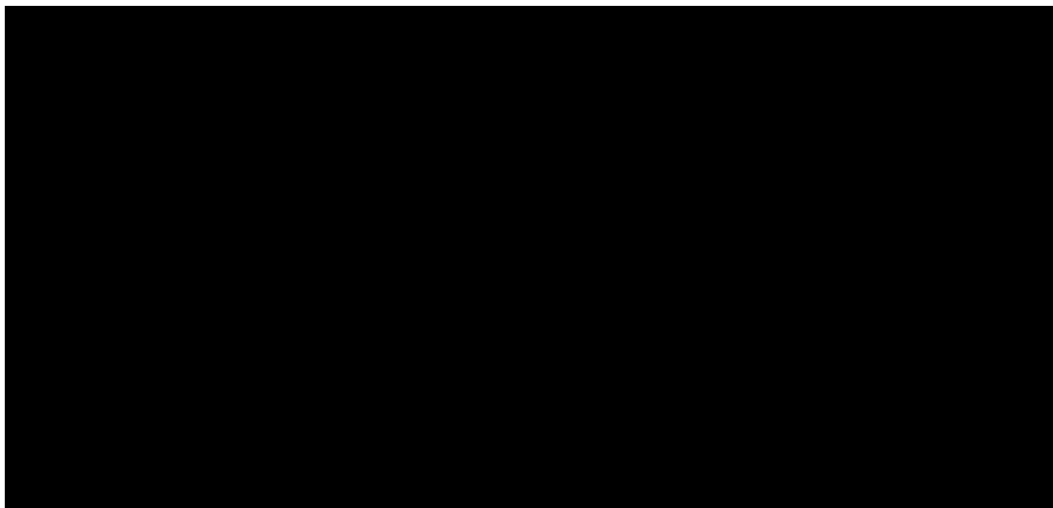
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trade unions "to do something" about unemployment. He will continue to face many obstacles in selling his views because of the impact on the British defense industry. The Defense Secretary's position would be strengthened if London could attract some allied defense contracts. (Secret No Foreign Dissem)

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British Trades Union Congress Asks Selective
Import Controls

With unemployment in the UK rising steadily, the unions are stepping up the pressure for selective controls on imports. At its annual conference two weeks ago, the Trades Union Congress urged the government to limit imports of textiles, clothing and footwear. This appeal followed strong lobbying by some unions against alleged dumping of Japanese autos and color television sets.

Prime Minister Wilson has responded by reiterating his general stand against import controls. He believes such controls only invite retaliation. He has, however, held out the possibility of selective restrictions on imports that, because of unfair competitive practices or dumping, do serious injury to British industry. This hedged support for union demands amounts to little more than a statement that Britain will do what it is permitted to do under existing international agreements, and is not a departure in basic British policy.

By appearing to have an open mind on the issue of selective import controls, Wilson probably hopes to strengthen his hand with the unions whose support he needs for his anti-inflation program. He does not wish to increase international concern about a resurgence in protectionism.

While avoiding formal import controls, the Labor government has been negotiating voluntary limitations on exports to Britain. Japanese car manufacturers have agreed to hold auto exports for the rest of 1975 below the level of the first six months of the year. This spring, London negotiated a similar arrangement with footwear exporters in Eastern Europe. (Confidential No Foreign Dissem)

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New Safeguards Agreement Presents Significant Achievement

1 | The governing body of the International Atomic Energy Agency (IAEA) has approved a nuclear safeguards agreement that will significantly expand the Agency's responsibility in the safeguards area. The agreement sets a precedent in its requirement of more comprehensive safeguard coverage.

3 | For the first time the technology required to construct and operate a nuclear facility will be monitored by the Agency. Its customary controls have been on nuclear equipment and material. In practical terms this safeguard provision will prohibit any non-nuclear state from indigenously duplicating any nuclear plants it imports from a nuclear power, even if it is able to acquire the necessary equipment and fuel without violating international controls. In addition, the state that supplies the original plant can unilaterally determine how much of the technology should be safeguarded and for how long. It remains to be seen whether or not the Agency will insist on similar requirements in future agreements.

4 | Ironically, this new safeguards policy results from a French initiative. The French have traditionally opposed an expanded safeguards role for the Agency. Paris, however, is currently negotiating the sale of a chemical reprocessing plant to South Korea. The sale of such equipment and technology has become quite sensitive and, probably because of this, the French have indicated that in this case and in the future they will rely to a greater extent on the Agency for safeguarding their nuclear exports.

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Not all the developing nuclear states are pleased with these new stricter controls, even if these states do thereby gain increased access to sensitive nuclear processes. Some of these states argue that the safeguards imposed by the Non Proliferation Treaty (Korea is an NPT party) should be sufficient to permit the import of such technology. (Confidential)

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Arab Moves Against Israel Appear Stalled at

UN

The Arab representatives at the UN have reportedly decided not to try to use a credentials challenge as a means of suspending Israel from this year's General Assembly session. According to a Lebanese official, the Arabs will enter a reservation regarding Israel's credentials when these are considered in the credentials committee and in the plenary but will not call for formal actions barring Israel's UN participation. (Confidential)

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Possible Cabinet Resignations in Spain Over
Death Sentences for Terrorists

Divisions are beginning to appear in the Spanish government as protests mount over the death sentences handed down to eleven terrorists.

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[REDACTED] reports that 8 of the 20 cabinet ministers, including Prime Minister Arias, Foreign Minister Cortina and Finance Minister Cabello de Alba, are prepared to resign if the death penalties are carried out. These ministers have been closely involved in trying to refurbish Spain's image in Western Europe and have reportedly concluded that the consequences for Spain abroad would be catastrophic if the executions take place.

There have been anti-regime demonstrations throughout Western Europe. The Pope and officials of several European governments have already sent appeals to Franco for clemency. Concern that these bilateral approaches have been ineffective, has led the EC-Nine to agree to a joint appeal. This might prove decisive in view of the Spanish government's wish for a link to NATO and ties to the EC.

A majority of the ministers in a reported straw vote last week favored approving at least some of the death sentences. Opponents of the death penalty pointed not only to the strong foreign reaction but also to the likelihood of renewed violence in the Basque area if the terrorists are executed. These arguments are offset to some extent, however, by concern over the reaction of police and rightists who have demanded that the sentences be carried out as an example to terrorists.

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Efforts may be underway to come up with a compromise that might avoid cabinet resignations and possibly soften the expected opposition to the government's decision. The convicted Basque terrorists have evoked the most sympathy, but only 3 of the 11 condemned terrorists are Basques. The other 8 are members of a Marxist-Leninist terrorist group known as the Revolutionary Anti-Fascist Patriotic Front. A decision to approve the death penalty for a few of the Marxists but to commute the sentences of the others--including the Basques and the two pregnant women sentenced to death--might satisfy the right and assuage the liberals' outrage to some extent. In any event, it is General Franco who will make the final decision. (Secret No Foreign Dissem/No Dissem Abroad/Background Use Only/Controlled Dissem)

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ANNEX

Anti-Communists Dominate Portugal's New Leadership

The Communists have been dealt a major blow by the emergence of anti-Communist military officers and democratic political parties as the dominant force in Portugal. The new leaders are nevertheless faced with serious problems-- the foremost being a gravely ill economy, and they must also expect renewed challenges to their authority, from both the left and the right.

The forces that by August and September had gained sufficient strength to begin to purge both the ruling Armed Forces Movement and the government of Communist influence were given their first important impetus by the constituent assembly elections last April. The returns gave the Socialists and center-left Popular Democrats 64 percent, while the Communists ran a distant third with less than 13 percent. As a result of this overwhelming rejection of the Communist Party, Movement officers who had been awed by the Communists' revolutionary credentials and their carefully prepared plans for implementing Portugal's revolution began to realize that the revolution was out of step with the people.

But Prime Minister Vasco Goncalves and the Communists refused to accept the vote as a guide and instead further insinuated themselves and their frontmen in successive governments and extended their influence in public administration, the labor movement, and the mass media. The decisive phase began on July 11,

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when the Socialists pulled out of the fourth provisional government because the armed forces failed to return the newspaper Republica after it was seized by leftist workers.

4 Summer also brought a wave of attacks on Communist headquarters and officials in the conservative north. The silent majority which former President Antonio de Spínola referred to when he was forced to step down in September 1974 had finally found its voice. It was saying an emphatic "no" both to the Communists and the country's further drift to the left. Emboldened by popular outrage and working closely with the Socialists and Popular Democrats, the heretofore disorganized anti-Communist officers led by Major Ernesto Melo Antunes launched their final effort to bring Gonçalves and his Communist supporters down. After an agonizingly slow process of sorting out opposing sides and a series of unacceptable compromises engineered by the enigmatic President Costa Gomes, the struggle finally reached its climax when the pro-Communist Gonçalves was removed as prime minister on August 29 and finally left the government altogether on September 5.

The Azevedo Government

4 The new prime minister, Pinheiro de Azevedo, is still largely a political question mark, but his insistence that the composition of the government reflect the will of the people as expressed in the April election and his refusal to give in to Communist demands for a larger voice have made a very favorable impression. Major Ernesto Melo Antunes, who is widely respected in European capitals, has returned to the foreign ministry, where he is expected to play a major role in achieving acceptability for the new regime in the West.

3.4 Economic planning will be in the hands of a secretary of state directly under the prime minister. Although this post has not yet been

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filled, the rest of the government economic team is composed of Socialists, Popular Democrats and independents.

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The lone cabinet portfolio given to the Communists is that dealing with public works. The ministry has been reduced in importance, however, because the housing sector, a prime source of political patronage, has been removed from Communist control.

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Communist influence is due to be sharply curtailed in two other important ministries--Labor and Social Communications. Communist control of top labor union posts and the party's manipulation of local union elections strengthened its grip on this sector, but the new labor minister--a military cohort of Antunes--has vowed to rid the ministry of all Communists, which should help to reverse this trend. The new communications minister is believed to be capable of restoring some semblance of objectivity to the pro-Communist media.

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Revolutionary Council Realigned

Communist influence has suffered a similar reversal within the Armed Forces Movement. The Revolutionary Council, which has re-emerged as the supreme authority in the Movement, has been reduced in size and revamped to eliminate most of Goncalves' pro-Communist supporters. At present the 18-man Council comprises at least nine members of the Antunes faction, two pro-Communists and seven whose political loyalties are less clear. Included in the latter group are President Costa Gomes, Prime Minister Azevedo, and Army Chief of Staff Fabiao. Costa Gomes, while consistently paying lip service to a pluralistic, pro-European political orientation for Portugal, ignored for weeks entreaties to remove the pro-Communist Goncalves from power. General Fabiao at one time supports

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the Antunes group and at another the most ultra-leftist programs of the Armed Forces Movement.

3, 4 | Two prominent radical left nationalists who also fall into this group are General Otelo de Carvalho and Admiral Antonio Rosa Coutinho, both of whom have already expressed thinly veiled criticism of the new leadership. Carvalho gave only tentative support to the new government and warned that he will oppose a sharp swing to the right. Rosa Coutinho has averred that the parties are too immature to govern the country and do not have genuine popular support.

4 | Because of the diverse political views of the members of this group, however, the Antunes faction is believed to exercise effective control over the Council.

New Government Program

1 | The new program unveiled by Prime Minister Azevedo on September 13 will--if carried out--lead to major shifts in Portugal's recent domestic policies. Political pluralism has been promised not only within the central and local governments, but also within the state-controlled media. Socialist leader Mario Soares has said that parliamentary, presidential, and local elections are expected early next year, but Azevedo's own references to elections have been much more vague.

4 | Clear guidelines for Portugal's foreign policy have yet to emerge, but both the new government program and the document authored by the new foreign minister in his struggle to unseat Goncalves called for closer ties with Europe and the West.

Economic Program

2 | With the economy the country's most intractable problem, the new government program seeks at last to bring some order both to nationalized

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industries and to the private sector. Nationalized industries are to be reorganized to insure maximum efficiency and growth and labor-management relations will be regulated. Incentives will be offered to invigorate small and medium-sized private businesses. Most important, Azevedo has promised that the long-awaited foreign investment code will be passed and other steps taken to restore investor confidence. The government is also expected to slow incursions into the private sector and instead focus its attention on restimulating the economy by means of a large public works program.

Portugal also needs rapid and concrete economic and technical assistance from abroad. Last week the EC foreign ministers were sufficiently impressed with developments in Portugal to start moving cautiously toward approving an aid package. Foreign Minister Antunes could meet with them as early as October 6-7 to begin working out the details.

Threat From the Left, Right

While the Communists have suffered a series of major reversals, it is much too early to write them off. They have already indicated their opposition to any changes in the nationalization scheme and in the radical land reform program in the south. Attempts to break their hold on local governments and the media are also being resisted.

Although there are unconfirmed rumors that the Communists are badly split and that their leader, Alvaro Cunhal, is in trouble because of the party's sudden fall from grace, the Communists are still a formidable adversary and retain many of their assets. In addition to having a continuing role at the cabinet and sub-cabinet level--where they will exert a disruptive influence--and at least a minor voice in the Revolutionary Council, they can be expected to retain some leverage in public

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administration, the media and in the leadership of the labor unions. These posts could easily provide a springboard for a new grab for power.

4 | The Communist strategy, as it is already beginning to unfold, appears to be to offer official collaboration in the cabinet while at the same time trying to keep the government off balance with a steady stream of protests and demonstrations. The Communists are also continuing their tactic of attacking the more exposed party on the right of the political spectrum--the Popular Democrats.

4 | To further their efforts to disrupt, the Communists will try to drive a wedge between the Socialists and the Popular Democrats and continue to try to stir divisions within the Armed Forces Movement. Pro-Communist officers have not been eliminated from the military but only removed from positions of authority, and the party may still harbor hopes that its alignment with the Movement will pay off with its supporters again gaining the upper hand.

5 | On the right, followers of Spinola headquartered in Spain are already reported to be active in northern Portugal and appear to have been responsible for a series of bombings last weekend. They will undoubtedly seek to capitalize on any dissatisfaction with government policies and scores of thousands of increasingly embittered refugees from Angola could rally to their side if their demands for jobs and public services are not met.

4 | Continuing action from this sector could cause the new government serious problems and play into the Communists' hands by forcing military officers and politicians to side with the left to counter the threat from the right. An effort by several leaders to validate their revolutionary credentials is already apparent, and such concerns could stay the hand of

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anti-Communists when they should be moving to consolidate the gains made in recent weeks.

Prospects

The problems facing the new leadership are staggering, but probably not insurmountable. Months of neglect and mismanagement have made a shambles of the economy, and its problems will not be solved overnight. The excellent impression made by both Antunes and the Socialist leaders in Europe, and the general desire to keep Portugal on the democratic path should contribute to a loosening of the EC's pursestrings. While EC assistance is crucial, it could be delayed for months because of red tape, and substantial interim bilateral economic assistance to help put the economy back on its feet will be needed.

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A sine qua non is the timely re-establishment of military discipline. An early indication of the new government's life expectancy will be its ability to withstand such challenges to its authority as breaches of public order, which seem almost certain to come, and soon.

4

If the factions which comprise the present government succeed in pulling together long enough to survive their immediate problems, sooner or later they will be confronted by internal differences. The long-range political goals of the Antunes group, the Socialists and the Popular Democrats are far from identical, and their cooperation may founder over the question of elections.

Mario Soares expects a clear-cut parliamentary election victory early next year to catapult him into the prime minister's office. Although there may be some sentiment in the military for a return to the barracks, it seems unlikely at this time that the Armed Forces Movement will accommodate Mr. Soares so easily and surrender

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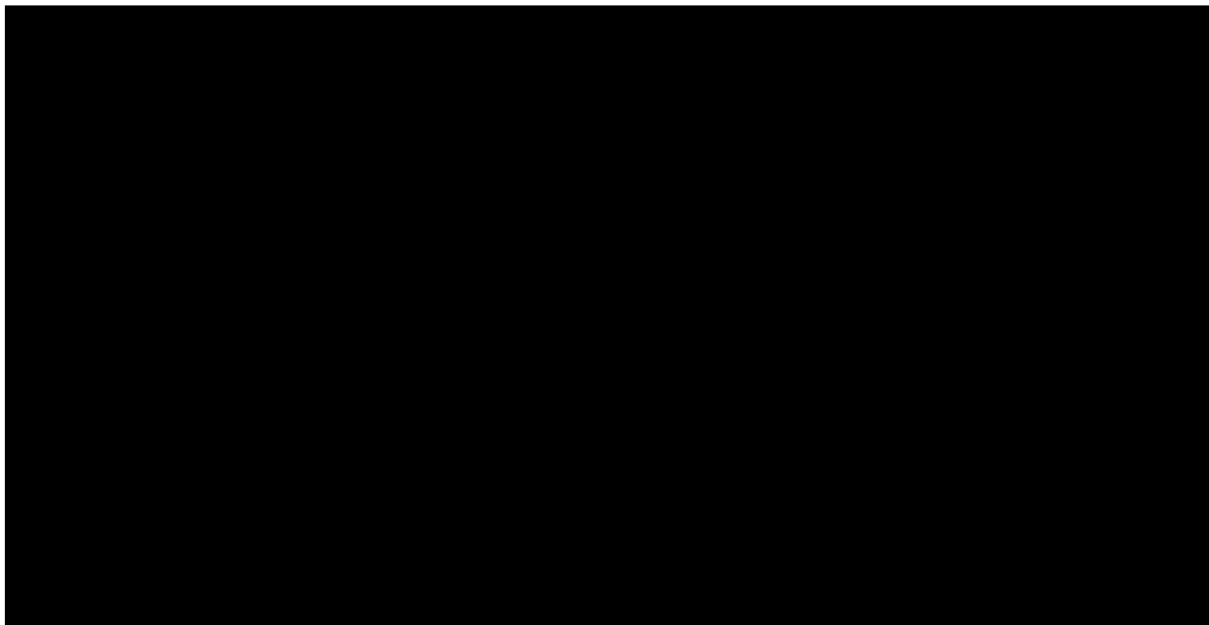
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4) its present power voluntarily. President Costa Gomes' efforts to play both sides of the street during the recent crisis may indicate that he sees a continuing and perhaps dominant role for himself. (Secret No Foreign Dissem)

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